April 30, 2025

Financial Services Regulatory Authority of Ontario (FSRA)

Dear Sirs/Mesdames

**RE: FSRA Consultation on proposed Rules: *RULE 2025-001 – Life and Health Insurance Managing General Agents (the “Proposed Rule”)***

IDC Worldsource Insurance Network Inc. (IDC WIN) is an established managing general agency (MGA) with a singular focus – to be the primary MGA for independent Advisors across Canada.

We aim to provide Advisors with a comprehensive and flexible approach to meet the challenges   
of a changing financial landscape. An established and tenured leadership team supports Advisors; a team who embrace innovation and are committed to sharing their robust insurance   
industry knowledge.

IDC WIN welcomes the opportunity to provide general comments and responses to the eight (8) specific questions posed by FSRA with respect to the proposed rules and request for comments, dated January 28, 2025.

**General comments**

We appreciate FSRA recognizing the sizeable presence MGAs hold in the life and health insurance marketplace. We further agree that a regulatory framework addressing agent suitability and distributor oversight are essential to consumer protection and maintaining industry-wide standards. However, we have some concerns that the Proposed Rule may not adequately address MGA business models and, as a result might not fully achieve it’s intended outcomes of fairness to consumers, enhanced compliance and consistent treatment for similar participants. Specifically, the independent nature of MGAs, and the nature of their relationship and dealings with multiple insurers may not be sufficiently reflected in the Proposed Rules. This could lead to a compliance regime that appears to continue many of the flaws and gaps present in our current system. Importantly, we are seeking further clarity of roles and responsibilities and a narrowing of the definition of MGA.

**Responses to the eight (8) specific questions posed**

1. Balancing proportional but common requirements:

Further to our comments above, the Proposed Rule appears to continue a system where the insurer is ultimately responsible for the conduct of MGAs and all agents thereunder, that will continue to be managed by varying MGA contracts, and not a centralized oversight body such as FSRA. MGAs are true independent intermediaries; however, this independence is not fully reflected in the Proposed Rule.

We are also concerned that the Proposed Rule’s attempts to “balance flexibility for insurers, L&H MGAs and sub-MGAs to negotiate their role in the distribution” often results in a duplication of responsibilities for MGAs and insurers which could lead to an increase in costs, and confusion as to who is doing what. We suggest that each role be further clarified, and to the extent possible, any duplication of obligations is removed.   
However, we acknowledge that there could also be some shared responsibilities.

1. Clarity of rule:

Further to the response captured in question #1, we suggest that each role be clearly defined, and the duplication of responsibilities be removed. Removing such redundancies will increase accountability, efficiency and reduce the risk of unintentional compliance gaps amongst the parties.

We suggest the use of “association” or “associated” should be further clarified in the Proposed Rule, or removed, if being used interchangeably with “authorized” or “contracted”. MGAs and agents can only be authorized to distribute an insurer’s product   
by way of a contract; “association” or “associated” can be subjective, and not   
necessarily binding.

We suggest removing multiple expiry/renewal date possibilities for MGA licences, as this will lead to confusion and will be difficult to manage operationally. We recommend a clear, consistent expiry/renewal date be communicated for each MGA licence issued.

We suggest further clarity be provided in relation to the liability protections captured   
in the Proposed Rule (i.e., context into why an MGA’s surety bond is considered an alternative to carrying E&O insurance, and if opting for E&O insurance, what amount   
is required or what is considered “not less than what is reasonable”).

Regarding provisions related to the training of agents, we are concerned that placing broad training responsibilities on insurers above and beyond product and concept knowledge training, may detrimentally affect the agents of MGAs that contract with multiple insurers. Taking this training out of the MGA’s scope of responsibilities, will mean the duplication of training topics and delivery from multiple insurers, resulting in inconsistencies in focus and messaging of the training received. We support insurers making product and concept knowledge training available to MGAs, however, the MGA is in the best position to manage and ensure the delivery of product/insurer specific training and broader compliance training to their agents.

1. Insurer and MGA compliance systems:

Further to our comments in response to question #1, the Proposed Rule ensures the continuation of the insurer’s ultimate responsibility for the oversight and compliance of each MGA and their agents. Practically, in today’s marketplace, many MGAs work with multiple insurers that each administer their own compliance program, which means under the current framework and the Proposed Rule, these compliance burdens and duplication of efforts and resources, will continue. Given the MGA’s unique “global view” of all its activities, the MGA is in the best position to create and manage a compliance program appropriate for its business and agents. However, we suggest the Proposed Rule establish minimum standards for all MGAs to create an industry baseline. Although each MGA may choose to elevate their programs beyond these standards, having minimum requirements would foster more consistent expectations and a level playing field.

We also suggest allowing the MGA to report to all insurers conduct issues that may occur with another insurer. While client information need not be shared, the agent’s conduct issue(s) would be permitted and required to be shared with provisions protecting against any potential breach with privacy law. Without such protections, MGA reporting will be less effective as each insurer will be unaware of misconduct of shared advisors.

1. Insurer and MGA compliance systems (cont.):

Regarding the Designated Compliance Representative (DCR), we are concerned that under the Proposed Rule the individual must be an officer, or a partner of the organization. This could be challenging and costly from an operations perspective. In our opinion, eliminating section 6(2)(ii) does not weaken the DCR’s ability or authority to carry out their compliance duties under the Rules. Removing these requirements would support FSRA’s goal to achieve a framework that allows for flexibility, and accounts for all types of MGA operations, large and small.

1. Standards of practice:

We do not see the need to introduce any additional standards of practice.

1. Transparency about MGAs:

We agree with the transparency measures proposed so that clients are better informed of the important role their MGA and/or sub-MGA, if applicable, plays in the sale and cycle of the insurance product they have purchased. Clients should be aware that a third party MGA/sub-MGA collects data and for what purpose, so clients may make an informed choice when deciding on an MGA/sub-MGA and agent.

1. Compliance challenges:

While the compliance burden (as described earlier in this paper) of an MGA being overseen by multiple insurers, will continue under the Proposed Rule, we do acknowledge the need to share the responsibility for oversight between MGAs and insurers. MGAs are in the best position to identify unacceptable business or sales practices or concerning sales trends of advisors. If not already made available to the MGA, MGAs should be able to request the data needed from insurers to fulfill those obligations. MGAs should have provisions in the rules allowing them to report advisor issues to insurers, multiple if applicable, without the concern of any breach of privacy rules, to assist insurers in their oversight expectations.

1. Insurer screening:

Building on our prior comments related to implementing rule changes that also aim to   
gain efficiencies and avoid duplicative efforts within this distribution model, we would recommend the Proposed Rule make it clear that insurers may rely on the screening   
of agents that is performed by MGAs. However, as we recommended in our response   
to question #3, we suggest the Proposed Rule establish minimum standards (screening)   
for all MGAs to create an industry baseline.

1. Transition matters:

We would recommend a transition period of no less than 24 months, to allow sufficient time for MGAs of all sizes and business models to implement and communicate to its agents, any changes to requirements, internal systems and processes.

Thank you for the opportunity to provide our feedback. We believe material changes to the Rule are needed as well as a second round of industry consultation to continue this important dialogue, as we work towards a clear approach that is practical, and reflective of the industry’s MGA operating model.

Please contact me with any questions you may have.

Regards,



Phil Marsillo, President and CEO

IDC Worldsource Insurance Network Inc.